

## NEWS RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on the City of Alta, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole.

The City's receipts totaled \$1,141,443 for the year ended June 30, 2004. The receipts included \$228,093 in property tax, \$86,476 from tax increment financing collections, \$281,143 from charges for service, \$229,857 from operating grants, contributions and restricted interest, \$131,980 from capital grants, contributions and restricted interest, \$144,835 from local option sales tax, \$16,279 from unrestricted investment earnings, and \$22,780 from other general receipts.

Disbursements for the year totaled \$1,125,624, and included \$211,233 for public safety, \$203,778 for public works, and \$128,034 for capital projects. Also, disbursements for business type activities totaled \$265,384.

This report contains recommendations to the City Council and their indicated responses to the recommendations.

A copy of the audit report is available for review in the office of Auditor of State and the City Clerk's office.

/s/s/s/s

CITY OF ALTA  
INDEPENDENT AUDITOR'S REPORTS  
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2004

CITY OF ALTA  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

## TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Primary Government Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement: Statement of Activities and Net Assets- Cash Basis	A 6-7
Governmental Fund Financial Statement: Statement of Cash Receipts, Disbursements, and Changes in Balances in Cash Balances	B 8-9
Proprietary Fund Financial Statement: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 10
Notes to Financial Statements	11-15
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	17
Notes to Required Supplementary Information - Budgetary Reporting	18
Other Supplementary Information:	
	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Non-major Governmental Funds	1 20
Schedule of Indebtedness	2 21
Bond Maturities	3 22
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Agency Funds	4 23
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	24-25
Schedule of Findings	26-28

CITY OF ALTA  
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2004)		
Edwin Buckendahl	Mayor	January, 2004
Veronica McFadden	Council Member	January, 2004
Ron Gullickson	Council Member	January, 2004
Mike Holton	Council Member	January, 2004
Bruce McGowan	Council Member	January, 2006
Brian Walsh	Council Member	January, 2006
Thomas M. Huseman	Clerk/Finance Officer	Indefinite
Dan Connell	Attorney	Resigned April, 2004
(After January, 2004)		
Courtney Lytle	Mayor	January, 2006
Bruce McGowan	Council Member	January, 2006
Brian Walsh	Council Member	January, 2006
Bruce Frederick	Council Member	January, 2008
Molly Elston	Council Member	January, 2008
Mike Holton	Council Member	January, 2008
Thomas M. Huseman	Clerk/Finance Officer	Indefinite
John Murray	Attorney	Appointed April, 2004

**HUNZELMAN, PUTZIER & CO., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.  
JEFFORY B. STARK, C.P.A.  
KEITH C. GERMANN, C.P.A.  
RICHARD R. MOORE, C.P.A.  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE  
STORM LAKE, IOWA 50586  
712-732-3653  
FAX 712-732-3662  
info@hpcocpa.com

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Alta, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Alta, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003.

The financial statements referred to above include only the primary government of City of Alta, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of City of Alta, Iowa, as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America..

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2003, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Alta, as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 9, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated July 27, 2004 on our consideration of City of Alta's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Budgetary comparison information on pages 17 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

City of Alta, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hungelman, Putzier & Co.*

July 27, 2004

CITY OF ALTA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit A

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental Activities							
Public safety	\$ 211,233	\$ 3,719	\$ 35,051	\$ -	\$ (172,463)	\$ -	\$ (172,463)
Public works	203,778	727	194,806	-	(8,245)	-	(8,245)
Culture and recreation	112,737	25,387	-	-	(87,350)	-	(87,350)
Community and economic development	22,367	-	-	-	(22,367)	-	(22,367)
General government	99,106	-	-	-	(99,106)	-	(99,106)
Debt service	82,985	-	-	-	(82,985)	-	(82,985)
Capital projects	128,034	-	-	131,980	3,946	-	3,946
Total governmental activities	860,240	29,833	229,857	131,980	(468,570)	-	(468,570)
Business type activities							
Sewer rental	107,651	87,751	-	-	-	(19,900)	(19,900)
Solid waste	100,569	103,908	-	-	-	3,339	3,339
Community building	57,164	59,651	-	-	-	2,487	2,487
Total business type activities	265,384	251,310	-	-	-	(14,074)	(14,074)
Total	\$ 1,125,624	\$ 281,143	\$ 229,857	\$ 131,980	(468,570)	(14,074)	(482,644)
General Receipts:							
Property tax levied for:							
General purposes					228,093	-	228,093
Tax increment financing					86,476	-	86,476
Local option sales tax					144,835	-	144,835
Unrestricted interest on investments					16,279	-	16,279
Bank franchise tax					633	-	633
Miscellaneous					22,147	-	22,147
Total general receipts					498,463	-	498,463
Change in cash basis net assets					29,893	(14,074)	15,819
Cash basis net assets beginning of year					402,641	103,038	505,679
Cash basis net assets end of year					\$ 432,534	\$ 88,964	\$ 521,498

(Continued)



CITY OF ALTA  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit A  
(Continued)

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
		Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business Type Activities	Total
			Contributions and Restricted Interest	Contributions and Restricted Interest			
Cash Basis Net Assets							
Restricted:							
Streets					\$ 232,101	\$ -	\$ 232,101
Other purposes					40,426	-	40,426
Unrestricted					160,007	88,964	248,971
					<u>\$ 432,534</u>	<u>\$ 88,964</u>	<u>\$ 521,498</u>

See notes to financial statements.

CITY OF ALTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

	Special Revenue				Other Non-major Governmental Funds	Total
	General	Road Use	Local Option Sales Tax	Capital Projects		
Receipts:						
Property taxes	\$ 228,093	\$ -	\$ -	\$ -	\$ -	\$ 228,093
Tax increment financing collections	-	-	-	-	86,476	86,476
Other city tax	-	-	144,835	-	-	144,835
Licenses and permits	9,884	-	-	-	-	9,884
Use of money and property	17,018	-	-	-	222	17,240
Intergovernmental	19,804	155,331	-	127,034	-	302,169
Charges for service	19,897	-	-	-	-	19,897
Miscellaneous	75,843	-	-	4,946	750	81,539
Total receipts	<u>370,539</u>	<u>155,331</u>	<u>144,835</u>	<u>131,980</u>	<u>87,448</u>	<u>890,133</u>
Disbursements:						
Operating:						
Public safety	210,733	-	-	-	500	211,233
Public works	154	203,624	-	-	-	203,778
Culture and recreation	112,675	-	-	-	62	112,737
Community and economic development	-	22,367	-	-	-	22,367
General government	99,106	-	-	-	-	99,106
Debt service	-	-	-	-	82,985	82,985
Capital projects	-	-	-	128,034	-	128,034
Total disbursements	<u>422,668</u>	<u>225,991</u>	<u>-</u>	<u>128,034</u>	<u>83,547</u>	<u>860,240</u>
Excess (deficiency) of receipts over disbursements	<u>(52,129)</u>	<u>(70,660)</u>	<u>144,835</u>	<u>3,946</u>	<u>3,901</u>	<u>29,893</u>
Other financing sources (uses):						
Transfers in	260,890	-	-	1,000	-	261,890
Transfers out	(1,000)	-	(260,890)	-	-	(261,890)
Total other financing sources (uses)	<u>259,890</u>	<u>-</u>	<u>(260,890)</u>	<u>1,000</u>	<u>-</u>	<u>-</u>
Net change in cash balances	207,761	(70,660)	(116,055)	4,946	3,901	29,893
Cash balances beginning of year	(47,754)	302,761	143,241	-	4,393	402,641
Cash balances end of year	<u>\$ 160,007</u>	<u>\$ 232,101</u>	<u>\$ 27,186</u>	<u>\$ 4,946</u>	<u>\$ 8,294</u>	<u>\$ 432,534</u>

(Continued)

CITY OF ALTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B  
(Continued)

		<u>Special Revenue</u>			<u>Other</u>	
	<u>General</u>	<u>Road</u>	<u>Local</u>	<u>Capital</u>	<u>Non-major</u>	
		<u>Use</u>	<u>Sales</u>	<u>Projects</u>	<u>Governmental</u>	<u>Total</u>
			<u>Tax</u>		<u>Funds</u>	
Cash Basis Fund Balances:						
Unreserved:						
General fund	\$ 160,007	\$ -	\$ -	\$ -	\$ -	\$ 160,007
Special revenue funds	-	232,101	27,186	-	3,726	263,013
Capital project fund	-	-	-	4,946	-	4,946
Permanent fund	-	-	-	-	4,568	4,568
Total cash basis fund balances	<u>\$ 160,007</u>	<u>\$ 232,101</u>	<u>\$ 27,186</u>	<u>\$ 4,946</u>	<u>\$ 8,294</u>	<u>\$ 432,534</u>

See notes to financial statements.

CITY OF ALTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Exhibit C

	<u>Sewer Rental</u>	<u>Solid Waste</u>	<u>Community Building</u>	<u>Total</u>
Operating receipts:				
Use of money and property	\$ -	\$ -	\$ 58,953	\$ 58,953
Charges for service	87,751	103,908	-	191,659
Miscellaneous	-	-	698	698
Total operating receipts	87,751	103,908	59,651	251,310
Operating disbursements:				
Business type activities	107,651	100,569	57,164	265,384
Net change in cash balances	(19,900)	3,339	2,487	(14,074)
Cash balances beginning of year	58,652	4,152	40,234	103,038
Cash balances end of year	<u>\$ 38,752</u>	<u>\$ 7,491</u>	<u>\$ 42,721</u>	<u>\$ 88,964</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 38,752</u>	<u>\$ 7,491</u>	<u>\$ 42,721</u>	<u>\$ 88,964</u>

See notes to financial statements.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies

City of Alta is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, City of Alta has included all funds, organizations, agencies, boards, commissions, and authorities except as noted below. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Alta (the primary government) and exclude all component units. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Alta Municipal Utilities was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to, or impose specific burdens on the City. The Utility is governed by a five member board appointed by the Mayor and approved by the City Council. The Utility's operating budget is subject to the approval of the City Council. Complete financial statements of the individual component unit, which will issue separate financial statements, can be obtained from the Utility administrative office.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Joint Disaster Services Commission, Buena Vista County E911 Service Board, and Buena Vista County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for capital improvements and property tax relief.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste collection activities.

The Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation - (Continued)

The Community Building fund accounts for the operation and maintenance of the City's Community building.

C. Measurement Focus and Basis of Accounting

The City of Alta maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, general government, and business type activities functions.

2. Cash

The City's deposits in banks at June 30, 2004 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

3. Bonds Payable

Annual debt service requirements to maturity for the tax increment financing revenue bonds are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Tax Increment Financing (TIF) Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 39,690	\$18,469
2006	42,569	15,590
2007	45,658	12,501
2008	47,214	9,187
2009	45,142	5,812
2010	46,800	2,579
Total	<u>\$267,073</u>	<u>\$64,138</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out the urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

4. Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$19,417 equal to the required contribution for the year.

5. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$9,561</u>

The liability has been computed based on rates of pay as of June 30, 2004.



CITY OF ALTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$260,890
Capital Projects	General	<u>1,000</u>
		<u>\$261,890</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. Risk Management

City of Alta is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Landfill Agreement

The City participates in an agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and municipalities. Payments to that commission totaled \$40,564 during the year ended June 30, 2004.

The County has guaranteed closure and post closure costs of the landfill as per Chapter 111.6(7) of the Iowa Code. The total costs have been estimated at approximately \$182,790 and \$817,200, respectively as of June 30, 2003, which is the latest information available. The landfill has an estimated remaining life of five years as of June 30, 2003.

9. Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALTA  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 228,093	\$ -	\$ 228,093	\$ 223,808	\$ 223,808	\$ 4,285
Tax increment financing collections	86,476	-	86,476	60,535	90,535	(4,059)
Other city tax	144,835	-	144,835	116,020	116,020	28,815
Licenses and permits	9,884	-	9,884	4,843	4,843	5,041
Use of money and property	17,240	58,953	76,193	58,400	58,400	17,793
Intergovernmental	302,169	-	302,169	207,061	372,061	(69,892)
Charges for service	19,897	191,659	211,556	184,860	184,860	26,696
Miscellaneous	81,539	698	82,237	38,787	38,787	43,450
Total receipts	<u>890,133</u>	<u>251,310</u>	<u>1,141,443</u>	<u>894,314</u>	<u>1,089,314</u>	<u>52,129</u>
Disbursements:						
Public safety	211,233	-	211,233	219,232	234,232	22,999
Public works	203,778	-	203,778	257,102	257,102	53,324
Culture and recreation	112,737	-	112,737	111,323	111,323	(1,414)
Community and economic development	22,367	-	22,367	25,029	25,029	2,662
General government	99,106	-	99,106	95,755	95,755	(3,351)
Debt service	82,985	-	82,985	60,535	90,535	7,550
Capital projects	128,034	-	128,034	-	150,000	21,966
Business type activities	-	265,384	265,384	225,653	225,653	(39,731)
Total disbursements	<u>860,240</u>	<u>265,384</u>	<u>1,125,624</u>	<u>994,629</u>	<u>1,189,629</u>	<u>64,005</u>
Net change in cash balances	29,893	(14,074)	15,819	(100,315)	(100,315)	116,134
Balances, beginning of year	<u>402,641</u>	<u>103,038</u>	<u>505,679</u>	<u>479,300</u>	<u>479,300</u>	<u>26,379</u>
Balances, end of year	<u>\$ 432,534</u>	<u>\$ 88,964</u>	<u>\$ 521,498</u>	<u>\$ 378,985</u>	<u>\$ 378,985</u>	<u>\$ 142,513</u>

See accompanying independent auditor's report.

CITY OF ALTA  
NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities, and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$195,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation, general government, and business type activities functions.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF ALTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>T.I.F.</u>	<u>Forfeiture</u>	<u>Library</u>	<u>Total</u>
Receipts:				
Tax increment financing collections	\$ 86,476	\$ -	\$ -	\$ 86,476
Use of money and property	-	-	222	222
Miscellaneous	-	750	-	750
Total receipts	<u>86,476</u>	<u>750</u>	<u>222</u>	<u>87,448</u>
Disbursements:				
Operating:				
Public safety	-	500	-	500
Culture and recreation	-	-	62	62
Debt service	<u>82,985</u>	<u>-</u>	<u>-</u>	<u>82,985</u>
Total disbursements	<u>82,985</u>	<u>500</u>	<u>62</u>	<u>83,547</u>
Net change in cash balances	3,491	250	160	3,901
Cash balances beginning of year	<u>-</u>	<u>(15)</u>	<u>4,408</u>	<u>4,393</u>
Cash balances end of year	<u>\$ 3,491</u>	<u>\$ 235</u>	<u>\$ 4,568</u>	<u>\$ 8,294</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 3,491	\$ 235	\$ -	\$ 3,726
Permanent fund	<u>-</u>	<u>-</u>	<u>4,568</u>	<u>4,568</u>
Total cash basis fund balances	<u>\$ 3,491</u>	<u>\$ 235</u>	<u>\$ 4,568</u>	<u>\$ 8,294</u>

See accompanying independent auditor's report.

CITY OF ALTA  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2004

Schedule 2

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End Of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
Urban renewal tax increment financing (TIF) revenue bonds:									
Gull Wing	December 11, 1995	7.00%	\$ 19,500	\$ 3,227	\$ -	\$ 3,227	\$ -	\$ 264	\$ -
West Link	July 1, 1996	7.00%	38,000	28,560	-	5,139	23,421	1,911	-
Melanders	November 25, 1997	6.00%	26,000	14,647	-	3,402	11,245	906	-
Alta Investors, L.C.	December 31, 1999	7.25%	<u>280,000</u>	<u>277,725</u>	<u>-</u>	<u>45,318</u>	<u>232,407</u>	<u>19,328</u>	<u>-</u>
			<u>\$ 363,500</u>	<u>\$ 324,159</u>	<u>\$ -</u>	<u>\$ 57,086</u>	<u>\$ 267,073</u>	<u>\$ 22,409</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF ALTA  
BOND MATURITIES  
JUNE 30, 2004

Schedule 3

Urban Renewal Tax  
Increment Financing (TIF)  
Revenue Bonds

Year Ending <u>June 30,</u>	<u>Issued July 1, 1996</u>		<u>Issued November 25, 1997</u>		<u>Issued December 31, 1999</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2005	7.00%	\$ 4,691	6.00%	\$ 2,968	7.25%	\$ 32,031	\$ 39,690
2006	7.00	5,025	6.00	3,149	7.25	34,395	42,569
2007	7.00	5,383	6.00	3,341	7.25	36,934	45,658
2008	7.00	5,767	6.00	1,787	7.25	39,660	47,214
2009	7.00	2,555	-	-	7.25	42,587	45,142
2010		-		-	7.25	46,800	46,800
		<u>\$ 23,421</u>		<u>\$ 11,245</u>		<u>\$ 232,407</u>	<u>\$ 267,073</u>

See accompanying independent auditor's report.



CITY OF ALTA  
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
AGENCY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Schedule 4

	Summer Baseball Program	Benefits Account	Trees Forever	Total
Receipts	\$ 31,438	\$ 4,526	\$ 3,327	\$ 39,291
Disbursements	<u>32,398</u>	<u>3,357</u>	<u>2,664</u>	<u>38,419</u>
Net change in cash balances	(960)	1,169	663	872
Cash balances beginning of year	<u>11,634</u>	<u>698</u>	<u>1,716</u>	<u>14,048</u>
Cash balances end of year	<u>\$ 10,674</u>	<u>\$ 1,867</u>	<u>\$ 2,379</u>	<u>\$ 14,920</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.  
JEFFORY B. STARK, C.P.A.  
KEITH C. GERMANN, C.P.A.  
RICHARD R. MOORE, C.P.A.  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE  
STORM LAKE, IOWA 50588  
712-732-3653  
FAX 712-732-3662  
info@hpcocpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and  
Members of the City Council  
Alta, Iowa

We have audited the primary government financial statements of City of Alta, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 27, 2004. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2003. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Alta's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior statutory comments have been resolved except for items II-B-04 and II-H-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Alta's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Alta's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior reportable conditions have been resolved except for items I-A-04, I-B-04, and I-C-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Alta and other parties to whom City of Alta may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Alta during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hungelman, Putzier & Co.*

July 27, 2004

City of Alta

Schedule of Findings

Year Ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

I-A-04     Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by one individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to limited office personnel, segregation of duties is difficult. Thorough review of the financial reports will be done monthly. We will try to achieve segregation of duties by associating duties with the office employees of the municipal utility.

Conclusion - Response accepted.

I-B-04     Community Building Concessions - Because of the large volume of cash transactions and the lack of control over receipts in the concessions income, it is very difficult to determine the accuracy of this income.

Recommendations - The City should review this situation and closely monitor the activity at the community building to determine that approved procedures are being followed and that adequate control over this operation is maintained.

Response - We will attempt to closely monitor the activity to determine that approved procedures are being followed. We will continue to periodically take inventory and check it against revenue to allow for better control.

Conclusion - Response accepted.

I-C-04     Cancellation of Invoices - We noted that invoices were not marked paid to help prevent duplicate payment.

Recommendation - All invoices should be properly canceled to prevent reuse.

Response - The accounts payable invoices are date stamped when they are reviewed and approved by the Council. The payroll invoices will also be handled this way to prevent duplicate payment.

Conclusion - Response accepted.

City of Alta

Schedule of Findings

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the City. The maximum deposit amount stated in the resolution was not exceeded during the year ending June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the culture and recreation, general government, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - A budget amendment was made during the fiscal year 2004 but expenditures exceeded that final amendment. A special effort will be made to see that the City of Alta is in compliance with Chapter 384.20 of the Code of Iowa in the future.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - We noted no business transactions between the City and City officials or employees.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Alta

Schedule of Findings

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-H-04    Excess Balances - The following fund has a balance at June 30, 2004 in excess of one year's expenditures:

Special Revenue - Road Use Tax

Recommendation - While it appears that this fund may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner.

Response - The City of Alta is of the opinion that the Road Use Tax Fund does not have an excessive balance. We have reduced the fund balance by about 25% (\$100,000) since this was noted in the 2000 audit. Fifty thousand dollars of the Road Use Tax Fund balance is earmarked for Main Street improvements. This fund balance will continue to be monitored.

Conclusion - Response accepted.